

Message Text

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ORIGIN EA-09

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DRAFTED BY EA/ROC:HAENGELBRECHT:ARCKC

APPROVED BY EA/ROC:BLEVIN

EB/OT/STA - M. GOLDMAN

EB/OT/GCP - J. SLATTERY (INFO)

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FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI IMMEDIATE

C O N F I D E N T I A L STATE 195887

STADIS////////////////////////////////////

E.O. 11652:GDS

TAGS: ETRD, TW, US

SUBJECT: SECTION 301 PETITION FILED BY CHARLES REHFELDT,
LAI FU TRADING CO., LTD.

REFERENCE: (A) STATE 176962

(B) TAIPEI 5332

1. DEPT IS CONCERNED THAT IN ABSENCE OF POSITIVE GROC
RESPONSE TO CONCERNS STRESSED REFA, USG MAY BE FORCED TO
TAKE RETALIATORY ACTION UNDER SECTION 301 OF TRADE ACT. WE
BELIEVE THAT SUCH ACTION WOULD HAVE ADVERSE IMPLICATIONS FOR
OUR TRADE AND ECONOMIC RELATIONS.

2. PROBLEM IS AGGRAVATED BY REHFELDT'S ALLEGATION TO STR
THAT EMBASSY IS NOT SERIOUSLY PURSUING CASE WITH GROC. STR
REPORTS REHFELDT ALLEGES THAT HE HAS COPY OF KYLE LETTER TO
FEI WHICH DOES NOT CONTAIN ANY REFERENCE TO POSSIBLE COM-
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PENSATORY TRADE ACTION, THE PRIME POINT IN REF A. HE ALSO

TOLD STR THAT HIS BUSINESS AND CREDIT RATING IS SUFFERING FROM CANCELLATION OF ORDERS, RETURN OF MERCHANDISE WHICH HAS BEEN PREPAID WITH POST-DATED CHECKS AND A RUMOR THAT IS BEING CIRCULATED THAT LAI FU IS FINANCIALLY SHAKY. (COINCIDENCE OF THESE EVENTS RAISES POSSIBILITY OF A RETALIATORY CAMPAIGN AGAINST HIM.)

3. DEPT REALIZES EMBASSY HAS MADE REPEATED APPROACHES TO GROC IN THIS MATTER, BUT WE ARE CONCERNED THAT REHFELDT IS BUILDING STRONG CASE WHICH COULD RESULT IN SECTION 301 RETALIATION. THIS WOULD BE A PYRRHIC VICTORY FOR REHFELDT AND AN UNWELCOME COMPLICATION IN OUR BILATERAL TRADE AND ECONOMIC RELATIONS WITH ROC, INCLUDING OUR PLANS FOR MTN-RELATED TRADE NEGOTIATIONS. WE WOULD APPRECIATE RECEIVING CABLED TEXT OF KYLE JULY 23 LETTER TO FEI AND ANY OTHER INFORMATION OR COMMENTS THE EMBASSY MAY DEEM HELPFUL TO CLARIFY FACTS REGARDING REHFELDT ALLEGATIONS. THESE MIGHT INCLUDE EMBASSY ESTIMATE OF WHEN AND WHAT WILL BE THE GROC RESPONSE TO JULY 21 DEMARCHE. WE NEED YOUR INPUT ON MONDAY AS STR IS PROPOSING 301 COMMITTEE MEETING TUESDAY, AUGUST 10 TO BEGIN DRAFTING RECOMMENDATION. HABIB

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Margaret P. Grafeld
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